

**FILED**  
SUPERIOR COURT OF CALIFORNIA  
COUNTY OF RIVERSIDE

NOV 29 2018

**L. VILLANUEVA**

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SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF COUNTY OF RIVERSIDE

PROVIDENCE INDUSTRIES, LLC, a California  
limited liability company,

Plaintiff,

vs.

LULAROE, LLC., a California limited liability  
company; LLR, INC., a Wyoming Corporation;  
MARK STIDHAM, an individual; DEANNE  
BRADY a/k/a DEANNE STIDHAM, an  
individual; 159DE, LLC, a Delaware limited  
liability company; GHOST SQUADRON, LLC, a  
Wyoming limited liability company; INLAND  
EXOTIC MOTORS, LLC, , a California limited  
liability company; LENNON LEASING, LLC, , a  
Wyoming limited liability company;  
HUDSLOAN LAND COMPANY, LLC, , a  
Wyoming limited liability company; 2000  
CAROLINA PINES Dr., LLC, a South Carolina  
limited liability company; 823 RINGDAHL  
CIRCLE, LLC, a California limited liability  
company; 4048 SUZIE CIRCLE, LLC, a  
California limited liability company; and DOES 1  
through 100, inclusive,

Defendants.

No.: **RIC 1825263**

**VERIFIED COMPLAINT FOR:**

- (1) BREACH OF CONTRACT;
- (2) BREACH OF GUARANTY;
- (3) GOODS SOLD AND DELIVERED;
- (4) OPEN BOOK ACCOUNT;
- (5) UNJUST ENRICHMENT;
- (6) FRAUD IN THE INDUCEMENT;
- (7) AVOIDANCE OF FRAUDULENT TRANSFERS (ACTUAL INTENT);
- (8) AVOIDANCE OF FRAUDULENT TRANSFERS (CONSTRUCTIVE INTENT);
- (9) SPECIFIC PERFORMANCE AND APPOINTMENT OF RECEIVER; AND
- (10) INJUNCTIVE RELIEF

ORIGINAL

FILED

REED SMITH LLP

A limited liability partnership formed in the State of Delaware

1 Plaintiff Providence Industries, LLC (“Plaintiff” or “Supplier”) alleges as follows:

2 **GENERAL ALLEGATIONS**

3 **A. The Parties**

4 1. Plaintiff is a California limited liability company doing business in the State of  
5 California, which conducts business under the name “MyDyer”, and is in the business of apparel  
6 design, manufacturing, and supply.

7 2. Plaintiff is informed and believes, and thereon alleges that at all relevant times  
8 mentioned herein, defendant Lularoe, LLC (“Lularoe”) was and is a California limited liability  
9 company doing business in the State of California, with its principal place of business in Corona,  
10 California.

11 3. Plaintiff is informed and believes, and thereon alleges that at all relevant times  
12 mentioned herein, defendant LLR, Inc. (“LLR”, and together with Lularoe, the “Obligors”) was and  
13 is a Wyoming corporation doing business in the State of California, with its principal place of  
14 business in Corona, California.

15 4. Plaintiff is informed and believes, and thereon alleges that at all relevant times  
16 mentioned herein, Mark Alan Stidham (“Mr. Stidham”) was and is a resident of California.

17 5. Plaintiff is informed and believes, and thereon alleges that at all relevant times  
18 mentioned herein, DeAnne Brady a/k/a DeAnne Stidham (“Ms. Stidham”) was and is a resident of  
19 California.

20 6. Plaintiff is informed and believes, and thereon alleges that at all relevant times  
21 mentioned herein, defendant 159DE, LLC (“159DE”) was and is a Delaware limited liability  
22 company operating, at times, in the State of California, with its main office based in Corona,  
23 California.

24 7. Plaintiff is informed and believes, and thereon alleges that at all relevant times  
25 mentioned herein, defendant Ghost Squadron, LLC (“Ghost Squadron”) was and is a Wyoming  
26 limited liability company operating, at times, in the State of California, with its main office in  
27 Corona, California.

28 8. Plaintiff is informed and believes, and thereon alleges that at all relevant times

1 mentioned herein, defendant Inland Exotic Motors, LLC ("Inland Exotic") was and is a California  
2 limited liability company purportedly operating, at times, in the State of California, with its main  
3 office in Corona, California.

4 9. Plaintiff is informed and believes, and thereon alleges that at all relevant times  
5 mentioned herein, defendant Lennon Leasing, LLC ("Lennon") was and is a Wyoming limited  
6 liability company operating, at times, in the State of California, with its main office in Corona,  
7 California.

8 10. Plaintiff is informed and believes, and thereon alleges that at all relevant times  
9 mentioned herein, defendant Hudsloan Land Company, LLC ("Hudsloan Land") was and is a  
10 Wyoming limited liability company operating, at times, in the State of California, with its main  
11 office in Corona, California.

12 11. Plaintiff is informed and believes, and thereon alleges that at all relevant times  
13 mentioned herein, defendant 2000 Carolina Pines Dr., LLC ("Carolina Pines") was and is a South  
14 Carolina limited liability company operating, at times, in the State of California, with its main office  
15 in Charleston, South Carolina.

16 12. The true names and capacities of Defendants DOES 1 through 100, inclusive, are  
17 unknown to Plaintiff, who therefore sues each such defendant by such fictitious names. Plaintiff will  
18 seek leave to amend this Complaint to state the true names and capacities of the fictitious defendants  
19 when they are ascertained.

20 **B. The Sourcing Agreement and Defaults Thereunder**

21 13. Supplier and Obligors are parties to a Sourcing Agreement, effective as of April 12,  
22 2016 (the "Sourcing Agreement"), under which LLR agreed to purchase Products (as defined in the  
23 Sourcing Agreement) from Supplier pursuant to Purchase Orders (as defined in the Sourcing  
24 Agreement), and pursuant to which Lularoe guaranteed LLR's obligations to Supplier.<sup>1</sup>

25 14. Pursuant to the Sourcing Agreement, Plaintiff sourced Products to fulfill Obligors'

26  
27 <sup>1</sup> The Sourcing Agreement, which is subject to confidentiality provisions, as well as the other exhibits identified in this  
28 Complaint which may be confidential under the provisions of the Sourcing Agreement, will each and all be filed  
provisionally under seal at a subsequent date.

1 Purchase Orders and delivered the ordered Products to Obligors with payment due on Invoices on  
2 “net 7 days” terms. Plaintiff also incurred other costs and expenses under the Sourcing Agreement  
3 as set forth below.

4 15. Obligors have committed multiple breaches under the Sourcing Agreement, and  
5 multiple Events of Default have occurred and are ongoing. Each breach and Event of Default is set  
6 forth more specifically as follows:

7 **1. The Delivered Products**

8 16. LLR ordered Products from the Supplier pursuant to the Sourcing Agreement, which  
9 have been delivered to LLR and accepted by LLR under the terms of the Sourcing Agreement (the  
10 “Delivered Products”), and which are more specifically described in certain Purchase Orders and  
11 corresponding Invoices (the “Delivered Products Invoices”).<sup>2</sup>

12 17. On information and belief, LLR reaped the benefits of selling a portion of the  
13 Products and is potentially still selling the Products and/or holding a portion of the Products for  
14 future sale.

15 18. As set forth in the Delivered Products Invoices, Obligors are indebted to the Supplier  
16 in an amount not less than \$33,753,895.66 for the Delivered Products (the “Delivered Products  
17 Indebtedness”).

18 19. The Delivered Products Invoices are each and all past due and owing and in some  
19 cases, for as long as seven months.

20 **2. The Reduced Liability Products**

21 20. LLR also ordered certain Products from Supplier which were completed per LLR’s  
22 instructions, but following completion of the order by Supplier, LLR informed Supplier that it no  
23 longer wanted the Products and instructed Supplier to destroy them (the “Reduced Liability  
24 Products”). Unbeknownst to Supplier and as set forth in more detail below, Obligors had had made  
25 significant financial changes in its payment and returns policies with its independent “Retailers”  
26 which resulted in a material and immediate negative impact on Obligors’ revenues and its need for

27 \_\_\_\_\_  
28 <sup>2</sup> The list of Purchase Orders and Invoices will be provided to Court provisionally under seal at a subsequent date.



1 Products.

2 21. Supplier was able to negotiate a reduction of its liability to its own  
3 vendor/manufacturer by obtaining LLR's agreement to the destruction of the Reduced Liability  
4 Products (as opposed to selling them in the open market). The reduction in Supplier's liability to its  
5 vendor allowed Supplier to substantially reduce Obligors' liability to Supplier with respect to the  
6 Reduced Liability Products.

7 22. The Obligors and Supplier agreed to this arrangement. As set forth in a confirming  
8 email provided to Supplier by Obligors, based upon LLR's request for destruction of the Reduced  
9 Liability Products, Supplier had its vendor/manufacturer arrange for the destruction of certain  
10 Products, which reduced the indebtedness owed by Obligors to Supplier on the Delivered Products  
11 from \$11,020,800 to an agreed-upon amount of \$8,000,000 (the "Reduced Liability Products  
12 Indebtedness").

13 23. As set forth in Section 5 of the Sourcing Agreement, Obligors have agreed to  
14 indemnify Supplier for all of its costs and expenses relating to any Products ordered by LLR or  
15 delivered to LLR under the Sourcing Agreement, whether arising before or after delivery.

16 24. The Reduced Liability Product Indebtedness is past due and owing and is accruing  
17 interest as set forth in the Sourcing Agreement.

18 **3. Fabric Orders**

19 25. LLR also purchased certain fabric from Supplier by purchaser order (the "Fabric  
20 Products"), which Supplier ordered on behalf of LLR, which Fabric Products are more specifically  
21 described in an Invoice and accompanying list of Purchase Orders (the "Fabric Invoice").<sup>3</sup> As set  
22 forth in the Fabric Invoices, Obligors are indebted to the Supplier in an amount not less than  
23 \$4,812,487.80 for the Fabric Products (the "Fabric Products Indebtedness").

24 26. LLR requested that Supplier source the Fabric Products many months ago, but shortly  
25 after Supplier's vendor received the Fabric Products, LLR asked Supplier to have the Fabric  
26 Products stored on its behalf for many months. As Supplier has informed LLR, Supplier was

27 <sup>3</sup> The referenced Fabric Invoice will be provided to the Court provisionally under seal at a subsequent date.  
28

1 informed and believes that the third-party manufacturers and warehousemen of the Fabric Products  
2 have disposed of some of the Fabric Products and more of the Fabric Products would be disposed of  
3 in the coming months if payment was not immediately received. Nevertheless, LLR refused to pay  
4 the Fabric Products Indebtedness.

5 27. By and large, the orders on the Fabric Products were initially accepted as Purchase  
6 Orders for finished goods to be completed using the Fabric Products ordered by Obligors. Obligors,  
7 after the purchase of the Fabric Product, requested cancellation of the Purchase Order for finished  
8 goods. Rather than complete the Purchase Orders as finished goods, as Supplier was entitled to do  
9 under the Sourcing Agreement, Supplier reduced Obligors' liability to the cost of the Fabric  
10 Products themselves.

11 28. Although Obligors' requests were not cancelable under their own Purchase Orders,  
12 Supplier agreed, as an accommodation to Obligors, to reduce the liability from finished goods solely  
13 to the Fabric Products. In some cases, LLR pre-ordered fabric which it intended to use for near-term  
14 future finished goods, but LLR repeatedly failed to place orders for the finished goods and, instead,  
15 strung Supplier along month-after-month saying that the new orders were coming while Supplier  
16 continued to incur the cost of the fabric.

17 29. As described more fully below, Supplier has only recently learned about the material  
18 and negative impact Obligors' decisions in 2017 had on their revenues and need for Products.  
19 Obligors withheld these material facts regarding its revenues from Supplier even though it impacted  
20 Obligors' ability to pay for the orders it was making.

21 30. As set forth in Section 5 of the Sourcing Agreement, Obligors have agreed to  
22 indemnify Supplier for all of its costs and expenses relating to any Products ordered by LLR or  
23 delivered to LLR under the Sourcing Agreement, whether arising before or after delivery.

24 31. The Fabric Products Indebtedness is past due and owing and is accruing interest as set  
25 forth in the Sourcing Agreement.

#### 26 4. License Obligations

27 32. LLR purchased certain licensed Products on behalf of LLR (the "Licensed  
28 Products"), for which the Supplier, at LLR's request, obtained licenses from its license partner (the

1 “License Partner”) to develop and source the manufacture of the Licensed Products. Supplier also  
2 obtained sublicenses for LLR to sell the Licensed Products within a certain prescribed “Territory”.  
3 In connection with LLR’s order of the Licensed Products, LLR has incurred not less than \$460,762  
4 in obligations to its License Partner (the “License Indebtedness”) on LLR’s behalf and at its request.

5 33. Obligors and Supplier are parties to a Mutual Indemnification Agreement dated as of  
6 January 13, 2017, pursuant to which, among other things, Obligors agreed to indemnify Supplier for,  
7 among other things, any claims or liabilities incurred by Supplier in connection with its license of  
8 any Products on Supplier’s behalf.<sup>4</sup>

9 34. Additionally, as set forth in Section 5 of the Sourcing Agreement, Obligors have  
10 agreed to indemnify Supplier for all of its costs and expenses relating to any Products ordered by  
11 LLR or delivered to LLR under the Sourcing Agreement, whether arising before or after delivery.

12 **5. Storage and Other Costs**

13 35. LLR also ordered certain Products from Supplier, which were completed per LLR’s  
14 instructions, but following completion of the order by Supplier, LLR asked Supplier to store the  
15 Products on its behalf for many months rather than delivering them (the “Stored Products”). On or  
16 about October 25, 2018, Supplier invoiced Obligors in the amount of \$383,124.59 for such storage  
17 costs (the “Storage Costs”). The Storage Costs constitute a portion of the total storage costs due  
18 from Obligors to Supplier, the balance of which remains to be invoiced to Obligors immediately after  
19 receipt of such invoice by Supplier from the holders of the Stored Products.

20 36. Obligors ordered the Stored Products and Plaintiff has repeatedly attempted to  
21 arrange for delivery of the Stored Products to Obligors.

22 37. Plaintiff is informed and believes that Obligors are delaying their receipt of many of  
23 the ordered Stored Products in an effort to delay Obligors’ payment obligations to Supplier, which  
24 are past due and owing and cannot be avoided under the Sourcing Agreement. Many of the Stored  
25 Products are seasonal, in nature, and given the rapid pace at which fashion trends change, the Stored  
26 Products continue to lose value as long as LLR continues to refuse to take delivery of the Stored

27 <sup>4</sup> Copies of the License Agreement (as amended), the accompanying Sublicense Approval Agreement (as amended), and  
28 the Mutual Indemnification Agreement will be provided to the Court provisionally under seal at a subsequent date.

1 Products.

2 38. The Storage Costs are past due and owing and are accruing interest as set forth in the  
3 Sourcing Agreement.

4 39. Supplier also incurred costs with respect to ordering trims related to the production of  
5 the Products in connection with minimum orders anticipated to be made by Obligor as required by  
6 the Sourcing Agreement, and the costs of ordering such trims is in an amount of \$1,322,685.40 (the  
7 “Trim Costs”, and together with the Storage Costs, the “Indemnified Costs”).

8 40. As set forth in Section 5 of the Sourcing Agreement, Obligor has agreed to  
9 indemnify Supplier for all of its costs and expenses relating to any Products ordered by LLR or  
10 delivered to LLR under the Sourcing Agreement, whether arising before or after delivery, including  
11 without limitation the Indemnified Costs.

12 **6. Minimum Purchase Commitment**

13 41. The Sourcing Agreement provides a Minimum Purchase Commitment, as set forth  
14 more fully in Section 1.6 and Schedule “A” thereof, pursuant to which LLR is required to purchase a  
15 certain minimum percent of the “total annual combined volume of Products that Customer requires  
16 for resale based on and measured by the total sums spent by Customer on all Products for resale  
17 during any calendar year during the term of this Agreement.” The Sourcing Agreement also  
18 requires that “[w]ithin thirty (30) days from the end of each six (6) month period during the term of  
19 this Agreement, Customer shall prepare and deliver to Supplier a semi-annual written report showing  
20 Customer's compliance with the minimum purchase commitment set forth herein during such six (6)  
21 month period. The semi-annual written report shall be in form and substance mutually acceptable to  
22 Supplier and Customer.”

23 42. To date, LLR has failed to provide any of the semi-annual written reports it is  
24 obligated to deliver to Supplier.

25 43. Since August 2018, Obligor has been ordering substantial products from other  
26 suppliers.

27 44. Supplier believes that Obligor is seeking to hide from Supplier information  
28 regarding Obligor's purchases from other suppliers by refusing to provide the semi-annual reports or

1 to otherwise make its books and records available to Supplier so that it may determine the extent to  
2 which LLR has been and is continuing to do business with other suppliers.

3 45. Additionally, Supplier has serious concerns that Obligors are diverting to third parties  
4 (including to other suppliers) the funds that they owe to Supplier, notwithstanding that Obligors are  
5 as long as six months past due in their Indebtedness to Supplier.

6 46. Obligors' diversion of its orders to other suppliers is a breach of the Sourcing  
7 Agreement.

8 **7. Demand Has Been Made Upon Defendants, Who Have Failed to Repay**  
9 **the Indebtedness**

10 47. Together, the Delivered Products Indebtedness, the Indemnified Costs, the Reduced  
11 Liability Products Indebtedness, the Fabric Products Indebtedness, and the License Indebtedness are  
12 referred to herein as the "Indebtedness".

13 48. By letter dated October 31, 2018 (the "Demand Letter"), Plaintiff made written  
14 demand upon Obligors for repayment of the full amount of that portion of the Indebtedness that is  
15 past due and owing under the Sourcing Agreement and for the semi-annual written reports required  
16 under the Sourcing Agreement.<sup>5</sup>

17 49. Each item of Indebtedness identified above has not been repaid notwithstanding  
18 Plaintiff's demand for payment thereof. Each failure by Obligors to timely repay each item of  
19 Indebtedness to Supplier (as set forth above) constitutes a separate Event of Default under the  
20 Sourcing Agreement.

21 50. Further, Obligors' failure to timely provide each of the semi-annual written reports  
22 required under the Sourcing Agreement also each constitute a separate Event of Default under the  
23 Sourcing Agreement.

24 51. Pursuant to the terms of the Sourcing Agreement, including Section 8.12 thereof,  
25 Plaintiff is entitled to recover all costs and expenses that Plaintiff may incur in enforcing its rights,  
26 remedies and powers. Plaintiff has been compelled to retain the services of attorneys and has

27 <sup>5</sup> The Demand Letter will be provided to Court provisionally under seal at a subsequent date.  
28

1 incurred and will continue to incur such costs and expenses. Plaintiff prays leave of court to amend  
2 this Complaint when said costs and expenses have been determined.

3 52. Plaintiff has performed all of the terms and conditions on its part to be performed  
4 under the terms of the Sourcing Agreement.

5 53. Demand Has Been Made Upon Defendants, Who Have Failed to Repay the  
6 Indebtedness

7 **C. Obligors' Precarious Financial Situation And Its Duties to Creditors**

8 54. Supplier is informed and believes that Obligors are either unable or unwilling to pay  
9 their debts as they become due, as evidenced by Obligors' failure to repay Supplier on the  
10 Indebtedness, some of which has been past due and owing for over seven months.

11 55. Supplier is informed and believes that Obligors' financial difficulties began to mount  
12 in mid-2017, based upon certain policy changes instituted by Obligors. Specifically, in  
13 approximately April 2017, Obligors' business suddenly took a turn for the worse when they changed  
14 their policy for paying bonuses to their "independent fashion consultants" (i.e., their "Retailers").  
15 Among other things, Obligors ceased paying bonus checks to its Retailers based upon the orders they  
16 purchased from Obligors, but instead began paying its Retailers bonuses based upon the number of  
17 products ultimately sold to the consumer.

18 56. As a consequence of the bonus policy change, Supplier has recently been informed  
19 that by August 2017, Obligors' monthly revenues dropped in half from approximately \$200 million  
20 per month to \$100 million per month, and a large number of Retailers began leaving Obligors.

21 57. Supplier is also informed and believes that around the same time frame, from April  
22 2017 through approximately September 2017, Obligors also instituted a 100% refund buyback offer  
23 for its Retailers. Supplier has recently been informed that as a consequence of the policy, Obligors  
24 have paid approximately \$120 million in returns to its Retailers.

25 58. Notwithstanding these difficulties, by late 2017, Obligors were ordering tens of  
26 millions of dollars from Supplier on a delivery schedule set through April 2018. The production  
27 process typically took approximately four to six months to complete. However, it appears Obligors  
28 had no ability to pay Supplier on the net 7 day terms under which the Products were ordered

59. Obligor had sufficient deposits with Supplier that they were able to bring their indebtedness down through the end of 2017, but they withheld critical facts about the financial troubles in order to induce Supplier to continue doing business with Obligor, even though Obligor knew that they would not be able to pay Supplier for the orders.

60. In fact, Supplier has recently learned that Obligor were in a precarious financial situation by the end of 2017, the magnitude of which Obligor hid from Supplier in order to induce Supplier to continue supplying to Obligor.

61. On November 20, 2018, news sources reported that “LuLaRoe is facing mounting debt, layoffs, and an exodus of top sellers, and sources say the \$2.3 billion legging empire could be imploding.” <https://www.businessinsider.com/lularoe-legging-empire-mounting-debt-top-sellers-flee-2018-11>.

62. In October 2018, news sources have reported that “former consultants said they are afraid [Lularoe] is headed for bankruptcy” and that the company “faces several lawsuits attacking its business practices.” See Business Insider, *One of LuLaRoe’s most iconic executives has suddenly left as some ex-sellers claim the company owes them thousands of dollars in refunds*, published October 8, 2018. <https://www.businessinsider.sg/lularoes-patrick-winget-exits-company-amid-refund-complaints-2018-10>.

63. Moreover, over a dozen lawsuits have recently been filed against Obligor collectively seeking hundreds of millions of dollars in damages, including, for example:

- *Lemberg v. Lularoe, LLC et al* (U.S.D.C., Central District of California, Case No. 17-02102).
- *Solti v. Lularoe, LLC* (U.S.D.C., Central District of California, Case No. 17-00451).
- *Mack, et al. v. LLR, Inc.*, (U.S.D.C., Central District of California, Case No. 17-00853).
- *Goodwin v. LLR, Inc.* (U.S.D.C., Central District of California, Case No. 17-07252)
- *Doran v. LLR, Inc.*, (U.S.D.C., Central District of California, Case No. 17-07259).
- *Heinichen, et al. v. LuLaRoe, LLC, et al.* (U.S.D.C., Central District of California, Case No. No. 17-07308).
- *Dean, et al. v. LuLaRoe, LLC, et al.* (U.S.D.C., Central District of California, Case No. 17-07310).
- *Universal Dyeing & Printing, Inc. v. Lularoe, LLC* (U.S.D.C., Central District of California, Case No. 17--04758).

- *Lamberg v. Lularoe LLC, et al* (U.S.D.C., Central District of California, Case No. 17-02102).
- *Fortney v. LLR, Inc. et al* (Superior Court of California, County of San Benito, Case No. CU-17-00060).
- *Harvey v. Lularoe, LLC et al* (Superior Court of California, County of Los Angeles, Case No. BC668401).
- *Subblefield v. Lularoe, LLC et al* (Superior Court of California, County of Riverside, Case No. RIC 1801304).
- *Deurquiza v. Lularoe, LLC et al* (Superior Court of California, County of Riverside, Case No. RIC 1813560).
- *Porsch v. LLR, Inc., et al* (U.S.D.C., Southern District of New York, Case No. 18-09312).
- *Hill v. LLR, Inc., et al* (U.S.D.C., District of Montana, Case No. 18-00120).
- *Van v. LLR, Inc., et al* (U.S.D.C., District of Alaska, Case No. 18-00197).

64. A summary of some of the lawsuits recently filed against Obligor was compiled in an article published by TruthinAdvertising.Org. As noted in the referenced article, published in November 2017, “complaints [against Lularoe] are coming in so quickly that it’s hard to keep up.” <https://www.truthinadvertising.org/lawsuits-lularoe-keep-mounting>.

65. The foregoing lawsuits reveal that Supplier is just one of many unpaid creditors of Obligor, and that Obligor may also owe significant sums of money to their “independent fashion consultants” (i.e., their “Retailers”), who are the class action plaintiffs in many of the lawsuits pending against Obligor.

66. Supplier is informed and believes that Obligor are indebted to numerous other vendors and suppliers that Obligor have been unable or unwilling to pay.

67. For example, Supplier is informed and believe that Obligor owe more than \$1 million to UPS for shipping costs resulting in Obligor using FedEx as an alternative shipper, much the same way that Obligor simply stopped paying Plaintiff and turned to alternative vendors.

68. Supplier is also informed and believe that Obligor owe approximately \$100,000 to West Coast Labels, which supplied Obligor with woven labels and hang tags.

69. Supplier is also informed and believe that Obligor owe approximately \$3,000,000 to Zam Brand, Inc., which supplied Obligor with garments.

70. Because Obligor have failed to pay the Indebtedness for many months, appear to have many other creditors and lawsuits pending with what Supplier is informed involve hundreds of



1 millions of dollars in claims, Supplier has reason to believe that Obligors are insolvent.

2 71. As the California Court of Appeal has recognized, in *Berg & Berg Enters. v. Boyle*,  
3 178 Cal. App. 4th 1020 (2009), the assets of an insolvent company are subject to the “trust fund  
4 doctrine”, and directors of the company owe a non-contractual duty to creditors to avoid the  
5 diversion, dissipation, or undue risk to the insolvent company’s assets that would otherwise be used  
6 to pay creditors claims. *Cf.* Cal. Civ. Code § 1708 (every person is bound, without contract, to  
7 abstain from “injuring the person or property of another, or infringing upon any of his or her  
8 rights”).

9 72. Making matters worse, as to the tens of millions of dollars of Products that LLR has  
10 received and accepted, Plaintiff believes that LLR has sold the products and absconded with the  
11 proceeds of the sale without repaying Plaintiff for the very same Products sold by Obligors.  
12 Instead, Plaintiff is informed and believes that Obligors are using the proceeds of sale to fund the  
13 lavish lifestyle of Obligors’ principals, as well as to pay for new products from other suppliers (in  
14 breach of Obligors’ agreement with Plaintiff), in order to generate further revenues for the personal  
15 enrichment of Obligors’ principals, while failing to pay Plaintiff the tens of millions of dollars it is  
16 owed.

17 **D. Suspicious Transfers by Obligors and Their Alter Egos and Cohorts**

18 73. Notwithstanding what appears to be Obligors’ precarious financial condition, its  
19 principals and owners (directly or indirectly), Mr. Stidham and Ms. Stidham, have acted in an  
20 improper manner to divert funds from Obligors to themselves, directly or indirectly.

21 74. In March 2018, during a business trip to Korea and Vietnam with Mr. Stidham and  
22 representatives of Supplier, Mr. Stidham showed off pictures of his multi-million ranch property in  
23 Wyoming, and stated that he was going to buy a neighboring ranch property adjacent to his current  
24 ranch in order to gain exclusive access to the river running next to the two ranches.

25 75. On or about September 7, 2018, Supplier engaged in discussions with Mark Stidham,  
26 who is the principal owner of Obligors (directly or indirectly), about the past due amounts owed by  
27 Obligors to Supplier. In response to Suppliers’ requests that Obligors repay the amounts they owed,  
28 Mr. Stidham told Plaintiff’s representatives “look guys, I am not going to pay you guys a f\*\*\*ing

1 dime unless a judge orders me to pay it, and Deanne and I will take our two to three hundred million  
2 dollars to the Bahamas, and f\*\*\* everything.”

3 76. Plaintiff is informed and believes that Obligors have diverted funds to third parties at  
4 the direction of their principals, Mr. Stidham and Ms. Stidham, who have lavished themselves with  
5 luxurious lifestyles by misappropriating the money that Obligors owe to their legitimate creditors,  
6 including Plaintiff. For example, Mr. Stidham is widely reported to own exotic race cars, including  
7 a Koenigsegg CCX estimated to cost approximately \$700,000 and a Koenigsegg Agera RS estimated  
8 to cost over \$2 million. Mr. Stidham recently was reported to have engaged a professional driver to  
9 break the land speed record for a production car using one of the “supercars” he purchased with  
10 funds that likely came from Obligors’ coffers. The following is a photograph from  
11 <https://www.automobilemag.com/news/koenigsegg-came-nevada-beat-records/> reporting on Mr.  
12 Stidham, the “supercar” he purchased, and the record attempt:



23  
24 77. Plaintiff is informed and believes that Ghost Squadron and Inland Exotic are entities  
25 in which Mr. Stidham has taken ownership of exotic race cars for purposes of shielding such assets  
26 from Obligors’ creditors.

27 78. Plaintiff is informed and believes that Obligors, at the direction of their principals,  
28 have purchased private airplanes or transferred their funds for the purchase of private airplanes,

1 which are held in the name of 159DE, for purposes of shielding such assets from Obligors' creditors.

2 79. Plaintiff is informed and believes that Obligors, at the direction of their principals,  
3 have transferred valuable assets into Lennon for purposes of shielding such assets from Obligors'  
4 creditors.

5 80. Plaintiff is informed and believes that Obligors, at the direction of their principals,  
6 have purchased valuable ranch homes and other properties in the names of Hudsloan Land, for  
7 purposes of shielding such assets from Obligors' creditors.

8 81. Plaintiff is informed and believes that Obligors, at the direction of their principals,  
9 have purchased residences in the names of Hudsloan Land, for purposes of shielding such assets  
10 from Obligors' creditors.

11 82. Plaintiff is informed and believes that Obligors, at the direction of their principals,  
12 have purchased residences in the names of 823 Ringdahl Circle, LLC and 4048 Suzie Circle, LLC,  
13 for purposes of shielding such assets from Obligors' creditors.

14 83. Moreover, Plaintiff is informed and believes that Obligors have opened a new  
15 distribution center in Columbia, South Carolina, and that it may seek to take its assets out of  
16 California, which would delay Obligors' California creditors from enforcing their judgment rights  
17 against Plaintiff. Plaintiff is informed and believes that Carolina Pines was created as an entity to  
18 hold these valuable assets.

19 84. Together, Mr. and Ms. Stidham, Ghost Squadron, Inland Exotic, 159DE, Lennon,  
20 Hudsloan Land, Carolina Pines, 823 Ringdahl Circle, LLC and 4048 Suzie Circle, LLC, are referred  
21 to herein as the "Transferees."

22 85. Plaintiff is informed and believes that Obligors, through Mr. Stidham and Ms.  
23 Stidham, have created dozens of additional shell entities, which Plaintiff believes are part of a  
24 scheme to hinder, delay and defraud the creditors of Obligors and Mr. Stidham and Ms. Stidham.  
25 Of particular note, for example, is that between July 2017 and December 2017, the following entities  
26 were organized (primarily in the state of Wyoming), but most or all of which have identified 1375  
27 Sampson Ave., Corona CA as their main office and one or both of the Stidham's as an officer or  
28 manager. Of particular note, thirteen of the entities were created in December 2017 alone, shortly

after a series of class actions were filed against Obligors.

<u>Name</u>	<u>Date of Incorporation</u>
Straight and Narrow, LLC	7/11/2017
Airport Road #25, LLC	8/17/2017
Yellow Husky, LLC	8/17/2017
Bradham Investment Holdings, LLC	9/18/2017
Sequoia Holdings, LLC	12/4/2017
Sequoia Holdings Management, LLC	12/11/2017
Big Sky Company Ventures, LLC	12/11/2017
Joshua Tree Investments, LLC	12/29/2017
Bryce Canyon Investments, LLC	12/13/2017
Golden Gate Holdings Management, LLC	12/14/2017
Redwood Ventures, LLC	12/14/2017
Legal Fund Holdings, LLC	12/14/2017
Storyland Investments, LLC	12/14/2017
13 Crowns Investments, LLC	12/14/2017
Corona Land Campus, LLC	12/8/2017
823 Ringdahl Circle, LLC	12/8/2017
4048 Suzie Circle, LLC	12/8/2017

86. Plaintiff reserves its rights, upon further investigation, to include the above-references entities, and any others it locates, as additional defendants and/or DOE defendants in this action.

**E. Obligors' Purchases From New Vendors**

87. Supplier has also recently been informed that Obligors have ordered substantial amounts of new products from other suppliers.

88. As of November 14, 2018, Boss system records reflect that Obligors have ordered over \$30 million in products from other suppliers, including: Creative Apparel LLC (\$3,211,250 in orders), Mad Engine, LLC (\$2,400,000), RSGA Incorporated DBA InnovAsia (\$18,404,940.45), and Zam Brand, Inc. (\$5,315,052.00).

89. Obligors' BOSS system records reflect that just in November 2018, alone, Obligors have ordered in excess of \$10 million in products.

**FIRST CAUSE OF ACTION**

**(Breach of Contract)**

**Against Defendant LLR**

90. Plaintiff hereby incorporates by reference the allegations set forth above as though fully set forth herein.

91. Plaintiff has performed all of the obligations required to be performed by it under the Sourcing Agreement. Plaintiff has timely made demand upon LLR to perform its obligations under the Sourcing Agreement, including the payment to Plaintiff of all amounts owing to Plaintiff under the Sourcing Agreement.

92. Plaintiff relied on the promises made by LLR in connection with the Sourcing Agreement when it sourced, stored, and/or delivered goods ordered by LLR thereunder.

93. LLR has breached and defaulted in its obligations under the terms of the Sourcing Agreement by, among other things, failing and refusing, and continuing to fail and refuse to pay the entire Indebtedness due from LLR to Plaintiff thereunder, as well as all accrued but unpaid interest due thereunder notwithstanding Plaintiff's demand for such payments.

94. There is now due, owing, and unpaid from LLR to Plaintiff under the Sourcing Agreement, and otherwise, the amount of \$48,732,955.45, plus additional interest accrued, attorneys' fees and costs, and such other amounts as may be proven at trial of this action. In addition, LLR will owe Plaintiff further interest, costs, and attorneys' fees incurred by Plaintiff through the date of trial in this matter.

**SECOND CAUSE OF ACTION**

**(Goods Sold and Delivered)**

**Against Defendant LLR**

95. Plaintiff hereby incorporates by reference the allegations set forth above as though fully set forth herein.

96. Within the last four years, LLR became indebted to plaintiff in the sum of \$33,753,895.66 for goods sold and delivered to LLR.

1           97. Plaintiff has demanded payment in full from LLR for the delivered goods, but LLR  
2 has refused to repay Plaintiff for same.

3  
4                                   **THIRD CAUSE OF ACTION**

5                                   **(Open Book Account)**

6                                   **Against Obligor**

7           98. Plaintiff hereby incorporates by reference the allegations set forth above as though  
8 fully set forth herein.

9           99. Obligor has become indebted to Plaintiff on an open book account for money due  
10 in the sum of \$48,732,955.45 for goods sold by Plaintiff to Obligor pursuant to a valid written  
11 contract under which Supplier regularly sold Products to Obligor, plus interest at the contract rate,  
12 fees and costs.

13           100. Neither the whole nor any part of the above sum has been paid although demand  
14 therefore has been made, and there is now due, owing, and unpaid the sum of \$48,732,955.45, plus  
15 interest at the contract rate, plus fees and costs associated with collection per the terms of the  
16 Sourcing Agreement.

17  
18                                   **FOURTH CAUSE OF ACTION**

19                                   **(Breach of Guaranty)**

20                                   **Against Defendant Lularoe**

21           101. Plaintiff hereby incorporates by reference the allegations set forth above as though  
22 fully set forth herein.

23           102. Plaintiff has performed all of the obligations required to be performed by it under the  
24 Sourcing Agreement. Plaintiff has timely made demand upon Lularoe pursuant to the Guaranty set  
25 forth in Section 1.7 of the Sourcing Agreement (the "Guaranty") to perform its obligations under the  
26 Guaranty, including the payment to Plaintiff of all Indebtedness owing to Plaintiff by LLR under the  
27 Sourcing Agreement, but Lularoe has failed and refused to perform its obligations under the  
28 Guaranty and related documents.

1           103. Under the terms of the Guaranty, Lularoe is obligated to reimburse Plaintiff for all of  
2 the obligations incurred by LLR to Plaintiff under the Sourcing Agreement.

3           104. In addition to the Indebtedness, Plaintiff has incurred accrued interest, costs and  
4 expenses under the Sourcing Agreement, including without limitation, legal fees and costs, and will  
5 continue in the future to incur the same.

6           105. Plaintiff relied on the promises made by Lularoe in the Guaranty in connection with  
7 the Sourcing Agreement when it sold goods to LLR.

8           106. Lularoe has breached and defaulted on its respective obligations to Plaintiff under the  
9 Guaranty by failing to repay, after demand, the indebtedness owed by LLR to Plaintiff.

10          107. There is now due, owing, and unpaid from LLR to Plaintiff under the Sourcing  
11 Agreement, which Lularoe guaranteed, the amount of \$48,732,955.45, plus additional interest  
12 accrued, costs, attorneys' fees and costs, and such other amounts as may be proven at trial of this  
13 action. In addition, Lularoe will owe Plaintiff further interest, costs, and attorneys' fees incurred by  
14 Plaintiff through the date of trial in this matter.

15  
16                                   **FIFTH CAUSE OF ACTION**

17                                   **(Unjust Enrichment)**

18                                   **Against all Defendants**

19          108. Plaintiff hereby incorporates by reference the allegations set forth above as though  
20 fully set forth herein.

21          109. The Delivered Products ordered by LLR were used for the benefit of each of the  
22 Obligors.

23          110. The Delivered Products were sourced and delivered by Plaintiff for the benefit of the  
24 respective Obligors with the legitimate expectation that the Obligors would repay Plaintiff.

25          111. To permit the Obligors to retain the benefits that have been conferred upon them  
26 without making just compensation therefore, would result in an unjust and unconscionable  
27 enrichment of the Defendants at Plaintiff's expense and unjustifiable detriment in an amount in  
28 excess of \$48,732,955.45.

112. Plaintiff has been compelled to retain the services of legal counsel to prosecute this action, and is entitled to an award of attorney's fees and costs of suit incurred herein.

## **SIXTH CAUSE OF ACTION**

### **(Fraud in the Inducement Against Obligors)**

113. Plaintiff hereby incorporates by reference the allegations set forth above as though fully set forth herein.

114. By not later than April 2018, Obligors were purchasing Products from Suppliers, pursuant to separate Purchase Orders (each made pursuant to the Sourcing Agreement), pursuant to which Obligors promised to repay Suppliers within seven (7) days of their receipt of an Invoice.

115. At that time, Obligors had lost a thousands of Retailers as a consequence of Obligors' changes to their bonus policies, had paid approximately \$120 million to Retailers for refunds, and had been sued in over a dozen lawsuits collectively seeking hundreds of millions of dollars in damages against Obligors. Making matters worse, financially, Mark Stidham and DeAnne Stidham appear to have been transferring substantial assets of the Obligors to themselves and/or their family members, directly or indirectly, to continue living their lavish lifestyles.

116. At the time the Obligors made the promise to Plaintiff that they would repay Plaintiff for the products being ordered by Obligors, the Obligors had no intention of performing their promises.

117. The promises were made by Obligors with the intent to induce Supplier to manufacture and deliver Products to Obligors under the Sourcing Agreement, and Supplier timely performed in reliance on these promises when it provided the Delivered Products to Obligors.

118. As evidenced by the Delivered Products Invoices, Supplier delivered not less than \$33,753,895.66 in Delivered Products to Obligors in reliance on Obligors' promises to pay, and yet to date Obligors have failed and refused to repay Plaintiff on account of the Delivered Products.

119. From June 2018 through September 2018, Obligors also engaged Supplier in prolonged discussions over the terms of a security agreement in connection with their indebtedness to Supplier in order to mislead Supplier into believing that Obligors were working in good faith to



1 repay their obligations and to induce Supplier to continue providing Products ordered via Purchase  
2 Order.

3 120. However, Supplier is informed and believes that as early as June 2018, Mark Stidham  
4 was telling at least one of his employees that he had no intention of signing any security agreement.

5 121. Supplier, at the time Obligors' promises were made, was ignorant of the Obligors'  
6 secret intention not to perform and only recently learned about the effects of Obligors' changes to its  
7 bonus policy and its return policies have had on Obligors' financial condition and their intention to  
8 never pay Supplier. Had Supplier known about Obligors' insolvency or inability to pay, Supplier  
9 would have demanded payment in advance by Obligors prior to accepting the Purchase Orders  
10 related to the Delivered Products.

11 122. Obligors' fraudulent scheme has damaged Supplier in an amount not less than  
12 \$33,753,895.66, for the Delivered Products.

13  
14 **SEVENTH CAUSE OF ACTION**

15 **(To Avoid Fraudulent Transfer [Actual Intent Pursuant to Cal. Civil Code §§ 3439.04(a)(1)])**

16 **Against Transferees**

17 123. Plaintiff hereby incorporates by reference the allegations set forth above as though  
18 fully set forth herein.

19 124. At all times mentioned herein, Obligors owed not less than \$48,732,955.45 to  
20 Plaintiff, which remains unpaid and past due and owing.

21 125. Plaintiff is informed and believes and thereon alleges that Obligors have transferred  
22 substantial amounts of money, in amounts to be proven at trial, to the Transferees, including, for  
23 example, transfers with respect to the purchase of exotic race cars, and transfers to the within-  
24 referenced companies for the purpose of hiding such funds from Obligors' creditors.

25 126. Plaintiff is informed and believes and thereon alleges that the transfers were made or  
26 obligations were incurred with an actual intent to hinder, delay, or defraud all of Obligors' creditors,  
27 including Plaintiff, in the collection of their claims.

28 127. In exchange for the aforementioned transfers, Obligors did not receive reasonably

1 equivalent value in exchange for the funds transferred.

2 128. Plaintiff is informed and believes and thereon alleges that the transfers were received  
3 by Transferees, who are insiders of Obligors, with knowledge that Obligors intended to hinder,  
4 delay, or defraud the collection of Plaintiff's claims.

5  
6 **EIGHTH CAUSE OF ACTION**

7 **(To Avoid Fraudulent Transfer [Constructive Fraud Pursuant to Cal. Civil Code**

8 **§ 3439.04(a)(2)])**

9 **Against Transferees**

10 129. Plaintiff hereby incorporates by reference the allegations set forth above as though  
11 fully set forth herein.

12 130. At all times mentioned herein, Obligors owed not less than \$48,732,955.45 to  
13 Plaintiff, which remains unpaid and past due and owing.

14 131. Plaintiff is informed and believes and thereon alleges that Obligors have transferred  
15 substantial amounts of money, in amounts to be proven at trial, to the Transferees, including, for  
16 example, transfers with respect to the purchase of exotic race cars, airplanes, warehouses, residences,  
17 ranch houses, raw land, as well as transfers to the within-referenced companies for the purpose of  
18 hiding such funds from Obligors' creditors.

19 132. At the time Obligors made the aforementioned transfers they intended and/or believed  
20 and/or reasonably should have believed that they would thereafter incur debts which would be  
21 beyond their ability to pay as they became due.

22 133. Plaintiff is informed and believes and thereon alleges that the assets remaining in the  
23 Obligors' hands after the aforementioned transfers were unreasonably small in relation to the above-  
24 described transfers.

25 134. In exchange for the aforementioned transfers, Obligors did not receive reasonably  
26 equivalent value in exchange for the funds transferred.

27 135. Plaintiff is informed and believes and thereon alleges that the transfers were received  
28 by Transferees, who are insiders of Obligors, with knowledge that Obligors intended to hinder,

1 delay, or defraud the collection of Plaintiff's claims.

2  
3 **NINTH CAUSE OF ACTION**

4 **(For Specific Performance and Appointment of Receiver)**

5 **Against all Defendants**

6 136. Plaintiff hereby incorporates by reference the allegations set forth above as though  
7 fully set forth herein.

8 137. Obligors has failed and refused, and continues to fail and refuse, to perform the  
9 conditions of the contract on their part in that, among other things, they have failed to deliver the  
10 required semi-annual written reports to Supplier, and that, on information and belief, Obligors may  
11 be breaching the Minimum Purchase Commitment of the Sourcing Agreement by purchasing  
12 products from other suppliers. Without the requisite semi-annual written reports from Obligors,  
13 Supplier is unable to ascertain whether Obligors have breached and are continuing to breach their  
14 Minimum Purchase Commitment obligations.

15 138. Additionally, under the Sourcing Agreement, Supplier is entitled, upon receiving such  
16 semi-annual written reports, to examine and copy LLR's books of account and records (defined in  
17 the Sourcing Agreement as the "Sales Records"), in order to ascertain whether LLR is complying  
18 with the Sourcing Agreement.

19 139. Without an order requiring specific performance, Supplier has no adequate legal  
20 remedy in that it cannot otherwise ascertain the extent of Obligors' breaches and the amount of  
21 damages based upon improper sales.

22 140. Moreover, LLR must take delivery of ordered Products once Supplier has caused the  
23 Products to be manufactured and made ready for delivery. The Sourcing Agreement does not give  
24 LLR the right to order Products only to have Supplier "store" them indefinitely at its expense.  
25 Given what appears to be a reasonable likelihood of insolvency of Obligors, Supplier is entitled  
26 under the California Commercial Code to require payment in cash before delivery of the Products.

27 141. Supplier requests that this Court order Obligors to take delivery of the ordered  
28 Products and that, pursuant to the California Commercial Code, that Obligors pay in advance of such

1 delivery.

2 142. Alternatively, given the myriad uncertainties regarding Obligors' financial condition,  
3 its continuing inability or refusal to pay Supplier or to take delivery of Products that LLR ordered,  
4 and the inability of Supplier to sell the Products, which are subject to Obligors' licenses, Obligors  
5 believe that the appointment of a limited receiver is necessary and appropriate to effectuate  
6 Supplier's rights and remedies, including specific performance with respect to all of its contractual  
7 rights and remedies under the Sourcing Agreement and California Commercial Code, including but  
8 without limitation pursuant to UCC §§ 2-703 and 2-706.

9  
10 **TENTH CAUSE OF ACTION**

11 **(Injunctive Relief)**

12 **Against all Defendants**

13 143. Plaintiff hereby incorporates by reference the allegations set forth above as though  
14 fully set forth herein.

15 144. Notwithstanding Plaintiff's demands and requests, Obligors have refused to perform  
16 under the Sourcing Agreement, as set forth more fully above.

17 145. Plaintiff will suffer irreparable injury for which no adequate remedy at law exists  
18 unless Obligors and other persons and firms having knowledge of an injunction are:

19 (i) enjoined from:

20 (a) expending, disbursing, transferring, assigning, selling, conveying, devising,  
21 pledging, mortgaging, creating a security interest in, or encumbering, the whole or any part  
22 of the Obligors' property or assets outside of the ordinary course of business;

23 (b) concealing or in any manner whatsoever destroying or disposing of the whole or  
24 any part of the Obligors' property or assets;

25 (c) doing any act which will, or which will tend to, impair, defeat, divert, prevent or  
26 prejudice the preservation of Obligors' assets or of Plaintiff's interest therein in whatever  
27 form the interest is held or used as of this date pending further proceedings in this action;

28 (d) destroying, concealing, transferring or failing to preserve any document which

1 evidences, reflects or pertains to any disposition by Defendant or any of their agents, of the  
2 Obligors' assets, or any part thereof;

3 (e) causing any mail or email to be delivered or forwarded to any address other than  
4 the primary email account or the principal places of business of the Defendants or any of  
5 them, or otherwise interfering with or intercepting any mail or emails relating to Obligors'  
6 business, or of Obligors' affiliates or insiders;

7 (ii) ordered to advise Plaintiff of the exact location of each of the Products;

8 (iii) ordered to account for intercompany transfers and/or transfers to any insiders or affiliates  
9 of Obligors; and

10 (iv) ordered to comply with a limited-purpose receiver to sell Products under Obligors' name  
11 and to remit the proceeds of such sale to Plaintiff to repay the Indebtedness.

12  
13 WHEREFORE, Plaintiff prays for relief as hereinafter set forth.

14  
15 **ON ITS FIRST CAUSE OF ACTION**

16 **(Breach of Contract)**

17 1. For judgment against LLR in an amount not less than \$48,732,955.45, plus accrued  
18 interest, fees and costs;

19 2. For reasonable attorneys' fees and costs according to proof against LLR;

20 3. For costs of suit herein incurred against LLR; and

21 4. For such other and further relief as the Court may deem proper.

22  
23 **ON ITS SECOND CAUSE OF ACTION**

24 **(Goods Sold and Delivered)**

25 1. For judgment against LLR in an amount not less than \$33,753,895.66, plus accrued  
26 interest, fees and cost;

27 2. For costs of suit herein incurred against LLR; and

28 3. For such other and further relief as the Court may deem proper.

**ON ITS THIRD CAUSE OF ACTION**

**(Open Book Account)**

1. For judgment against Obligors in an amount not less than \$33,753,895.66, plus accrued interest, fees and costs;
2. For costs of suit herein incurred against Obligors; and
3. For such other and further relief as the Court may deem proper.

**ON ITS FOURTH CAUSE OF ACTION**

**(Breach of Guaranty)**

1. For judgment against Lularoe in an amount not less than \$48,732,955.45, plus accrued interest, fees and costs;
2. For reasonable attorneys' fees and costs according to proof against Lularoe;
3. For costs of suit herein incurred against Lularoe; and
4. For such other and further relief as the Court may deem proper.

**ON ITS FIFTH CAUSE OF ACTION**

**(Unjust Enrichment)**

1. For judgment against Obligors in an amount not less than \$48,732,955.45, plus accrued interest, fees and costs;
3. For costs of suit herein incurred against Obligors; and
4. For such other and further relief as the Court may deem proper.

**ON ITS SIXTH CAUSE OF ACTION**

**(Fraud in the Inducement)**

1. For general damages against Obligors in an amount not less than \$48,732,955.45;
2. For punitive damages in an amount appropriate to punish the Obligors and deter others from engaging in similar misconduct;
3. For costs of suit herein incurred against Obligors; and

1           4.       For such other and further relief as the Court may deem proper.

2  
3                               **ON ITS SEVENTH CAUSE OF ACTION**

4       **(To Avoid Fraudulent Transfer [Actual Intent Pursuant to Cal. Civil Code §§ 3439.04(a)(1)])**

5           1.       That the transfers from Obligors to Transferees be set aside as to the Plaintiff herein  
6 to the extent necessary to satisfy Plaintiff's claim in the sum of \$48,732,955.45, plus accrued  
7 interest, fees and cost;

8           2.       That an order be made declaring that Transferees hold the property described above  
9 in trust for Plaintiff;

10          3.       That Transferees be required to account to plaintiff for all profits and proceeds earned  
11 from or taken in exchange for the property described above; and

12          4.       For such other and further relief as the Court may deem proper.

13  
14                               **ON ITS EIGHTH CAUSE OF ACTION**

15       **(To Avoid Fraudulent Transfer [Constructive Fraud Pursuant to Cal. Civil Code**  
16                               **§ 3439.04(a)(2)])**

17          1.       That the transfers from Obligors to Transferees be set aside as to the Plaintiff herein  
18 to the extent necessary to satisfy Plaintiff's claim in the sum of \$48,732,955.45, plus accrued  
19 interest, fees and cost;

20          2.       That an order be made declaring that Transferees hold the property described above  
21 in trust for Plaintiff;

22          3.       That Transferees be required to account to plaintiff for all profits and proceeds earned  
23 from or taken in exchange for the property described above; and

24          4.       For such other and further relief as the Court may deem proper.

25  
26                               **ON ITS NINTH CAUSE OF ACTION**

27       **(Specific Performance and Appointment of Receiver)**

28          1.       For an order directing Obligors to turn over to Plaintiff, or to a court-appointed



1 limited receiver for the benefit of Plaintiff, any and all Products sold by Supplier to LLR for sale by  
2 the receiver, and to turn over the proceeds thereof to Plaintiff to reduce the Indebtedness;

- 3 2. For reasonable attorneys' fees according to proof against Obligors;
- 4 3. For costs of suit herein incurred against Obligors; and
- 5 5. For such other and further relief as the Court may deem proper.

6  
7 **ON ITS TENTH CAUSE OF ACTION**

8 **(Injunctive Relief)**

9 1. For an order declaring that Obligors and Transferees are jointly and severally liable to  
10 Plaintiff in an amount not less than \$48,732,955.45;

11 2. For an order:

12 (i) enjoining Defendants from:

13 (a) expending, disbursing, transferring, assigning, selling, conveying, devising,  
14 pledging, mortgaging, creating a security interest in, or encumbering, the whole or any part  
15 of the Obligors' property or assets outside of the ordinary course of business;

16 (b) concealing or in any manner whatsoever destroying or disposing of the whole or  
17 any part of the Obligors' property or assets;

18 (c) doing any act which will, or which will tend to, impair, defeat, divert, prevent or  
19 prejudice the preservation of Obligors' assets or of Plaintiff's interest therein in whatever  
20 form the interest is held or used as of this date pending further proceedings in this action;

21 (d) destroying, concealing, transferring or failing to preserve any document which  
22 evidences, reflects or pertains to any disposition by Defendant or any of their agents, of the  
23 Obligors' assets, or any part thereof;

24 (e) causing any mail or email to be delivered or forwarded to any address other than  
25 the primary email account or the principal places of business of the Defendants or any of  
26 them, or otherwise interfering with or intercepting any mail or emails relating to Obligors'  
27 business, or of Obligors' affiliates or insiders;

28 (ii) ordering Defendants to advise Plaintiff of the exact location of each of the Products;



(iii) ordering Defendants to account for intercompany transfers and/or transfers to any insiders of Obligors; and

(iv) ordering Defendants to comply with a limited-purpose receiver to sell Products under Obligors' name and to remit the proceeds of such sale to Plaintiff to repay the Indebtedness.

3. For reasonable attorneys' fees according to proof against Obligors;

4. For costs of suit herein incurred against Obligors; and

5. For such other and further relief as the Court may deem proper.

DATED: November 26, 2018

REED SMITH LLP

By 

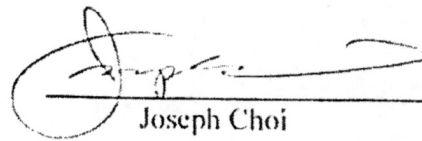
Marsha A. Houston  
Christopher O. Rivas  
Attorneys for Plaintiff  
Providence Industries, LLC

VERIFICATION

I, Joseph Choi, am the President and a co-Founder of Plaintiff Providence Industries, LLC, which conducts business as MyDyer ("Plaintiff"). I am authorized to make this Verification on behalf of Plaintiff. I have reviewed the allegations of fact set forth in the Verified Complaint and hereby verify that said statements are true, correct, and accurate to the best of my knowledge based on my review of Plaintiff's books and records, and as to the matters which are therein stated on information and belief, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 26<sup>th</sup> day of November, 2018 at Long Beach California.

  
\_\_\_\_\_  
Joseph Choi

FOR COURT USE ONLY

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address):

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ATTORNEY FOR (Name): crivas@reedsmith.com

SUPERIOR COURT OF CALIFORNIA, COUNTY OF Riverside

STREET ADDRESS: 4050 Main Street

MAILING ADDRESS:

CITY AND ZIP CODE: Riverside, CA 92501

BRANCH NAME: Riverside Historic Courthouse

CASE NAME: Providence Industries, LLC v. Lularoe, LLC, et al.

## CIVIL CASE COVER SHEET

- ☒ Unlimited (Amount demanded exceeds \$25,000) ☐ Limited (Amount demanded is \$25,000 or less)

## Complex Case Designation

- ☐ Counter ☐ Joinder  
 Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)

CASE NUMBER:

RIC

1825263

JUDGE:

DEPT:

Items 1-6 below must be completed (see instructions on page 2).

## 1. Check one box below for the case type that best describes this case:

## Auto Tort

- ☐ Auto (22)  
☐ Uninsured motorist (46)  
 Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort  
☐ Asbestos (04)  
☐ Product liability (24)  
☐ Medical malpractice (45)  
☐ Other PI/PD/WD (23)

## Non-PI/PD/WD (Other) Tort

- ☐ Business tort/unfair business practice (07)  
☐ Civil rights (08)  
☐ Defamation (13)  
☐ Fraud (16)  
☐ Intellectual property (19)  
☐ Professional negligence (25)  
☐ Other non-PI/PD/WD tort (35)

## Employment

- ☐ Wrongful termination (36)  
☐ Other employment (15)

## Contract

- ☒ Breach of contract/warranty (06)  
☐ Rule 3.740 collections (09)  
☐ Other collections (09)  
☐ Insurance coverage (18)  
☐ Other contract (37)

## Real Property

- ☐ Eminent domain/Inverse condemnation (14)  
☐ Wrongful eviction (33)  
☐ Other real property (26)

## Unlawful Detainer

- ☐ Commercial (31)  
☐ Residential (32)  
☐ Drugs (38)

## Judicial Review

- ☐ Asset forfeiture (05)  
☐ Petition re: arbitration award (11)  
☐ Writ of mandate (02)  
☐ Other judicial review (39)

Provisionally Complex Civil Litigation.  
(Cal. Rules of Court, rules 3.400-3.403)

- ☐ Antitrust/Trade regulation (03)  
☐ Construction defect (10)  
☐ Mass tort (40)  
☐ Securities litigation (28)  
☐ Environmental/Toxic tort (30)  
☐ Insurance coverage claims arising from the above listed provisionally complex case types (41)

## Enforcement of Judgment

- ☐ Enforcement of judgment (20)

## Miscellaneous Civil Complaint

- ☐ RICO (27)  
☐ Other complaint (not specified above) (42)

## Miscellaneous Civil Petition

- ☐ Partnership and corporate governance (21)  
☐ Other petition (not specified above) (43)

2. This case ☐ is ☒ is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:

- a. ☐ Large number of separately represented parties d. ☐ Large number of witnesses  
 b. ☐ Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve e. ☐ Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court  
 c. ☐ Substantial amount of documentary evidence f. ☐ Substantial postjudgment judicial supervision

3. Remedies sought (check all that apply): a. ☒ monetary b. ☒ nonmonetary; declaratory or injunctive relief c. ☐ punitive

## 4. Number of causes of action (specify): 1

5. This case ☐ is ☒ is not a class action suit.

## 6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)

Date: November 26, 2018

Christopher O. Rivas

(TYPE OR PRINT NAME)

(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

## NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

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## INSTRUCTIONS ON HOW TO COMPLETE THE COVER SHEET

**To Plaintiffs and Others Filing First Papers.** If you are filing a first paper (for example, a complaint) in a civil case, you must complete and file, along with your first paper, the *Civil Case Cover Sheet* contained on page 1. This information will be used to compile statistics about the types and numbers of cases filed. You must complete items 1 through 6 on the sheet. In item 1, you must check **one** box for the case type that best describes the case. If the case fits both a general and a more specific type of case listed in item 1, check the more specific one. If the case has multiple causes of action, check the box that best indicates the **primary** cause of action. To assist you in completing the sheet, examples of the cases that belong under each case type in item 1 are provided below. A cover sheet must be filed only with your initial paper. Failure to file a cover sheet with the first paper filed in a civil case may subject a party, its counsel, or both to sanctions under rules 2.30 and 3.220 of the California Rules of Court.

**To Parties in Rule 3.740 Collections Cases.** A "collections case" under rule 3.740 is defined as an action for recovery of money owed in a sum stated to be certain that is not more than \$25,000, exclusive of interest and attorney's fees, arising from a transaction in which property, services, or money was acquired on credit. A collections case does not include an action seeking the following: (1) tort damages, (2) punitive damages, (3) recovery of real property, (4) recovery of personal property, or (5) a prejudgment writ of attachment. The identification of a case as a rule 3.740 collections case on this form means that it will be exempt from the general time-for-service requirements and case management rules, unless a defendant files a responsive pleading. A rule 3.740 collections case will be subject to the requirements for service and obtaining a judgment in rule 3.740.

**To Parties in Complex Cases.** In complex cases only, parties must also use the *Civil Case Cover Sheet* to designate whether the case is complex. If a plaintiff believes the case is complex under rule 3.400 of the California Rules of Court, this must be indicated by completing the appropriate boxes in items 1 and 2. If a plaintiff designates a case as complex, the cover sheet must be served with the complaint on all parties to the action. A defendant may file and serve no later than the time of its first appearance a joinder in the plaintiff's designation, a counter-designation that the case is not complex, or, if the plaintiff has made no designation, a designation that the case is complex.

### CASE TYPES AND EXAMPLES

#### Auto Tort

Auto (22)—Personal Injury/Property Damage/Wrongful Death  
Uninsured Motorist (46) (*if the case involves an uninsured motorist claim subject to arbitration, check this item instead of Auto*)

#### Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort

Asbestos (04)  
Asbestos Property Damage  
Asbestos Personal Injury/Wrongful Death  
Product Liability (*not asbestos or toxic/environmental*) (24)  
Medical Malpractice (45)  
Medical Malpractice—Physicians & Surgeons  
Other Professional Health Care Malpractice  
Other PI/PD/WD (23)  
Premises Liability (e.g., slip and fall)  
Intentional Bodily Injury/PD/WD (e.g., assault, vandalism)  
Intentional Infliction of Emotional Distress  
Negligent Infliction of Emotional Distress  
Other PI/PD/WD

#### Non-PI/PD/WD (Other) Tort

Business Tort/Unfair Business Practice (07)  
Civil Rights (e.g., discrimination, false arrest) (*not civil harassment*) (08)  
Defamation (e.g., slander, libel) (13)  
Fraud (16)  
Intellectual Property (19)  
Professional Negligence (25)  
Legal Malpractice  
Other Professional Malpractice (*not medical or legal*)  
Other Non-PI/PD/WD Tort (35)

#### Employment

Wrongful Termination (36) Other Employment (15)

#### Contract

Breach of Contract/Warranty (06)  
Breach of Rental/Lease  
Contract (*not unlawful detainer or wrongful eviction*)  
Contract/Warranty Breach—Seller Plaintiff (*not fraud or negligence*)  
Negligent Breach of Contract/Warranty  
Other Breach of Contract/Warranty  
Collections (e.g., money owed, open book accounts) (09)  
Collection Case—Seller Plaintiff  
Other Promissory Note/Collections Case  
Insurance Coverage (*not provisionally complex*) (18)  
Auto Subrogation  
Other Coverage  
Other Contract (37)  
Contractual Fraud  
Other Contract Dispute

#### Real Property

Eminent Domain/Inverse Condemnation (14)  
Wrongful Eviction (33)  
Other Real Property (e.g., quiet title) (26)  
Writ of Possession of Real Property  
Mortgage Foreclosure  
Quiet Title  
Other Real Property (*not eminent domain, landlord/tenant, or foreclosure*)

#### Unlawful Detainer

Commercial (31)  
Residential (32)  
Drugs (38) (*if the case involves illegal drugs, check this item; otherwise, report as Commercial or Residential*)

#### Judicial Review

Asset Forfeiture (05)  
Petition Re: Arbitration Award (11)  
Writ of Mandate (02)  
Writ—Administrative Mandamus  
Writ—Mandamus on Limited Court Case Matter  
Writ—Other Limited Court Case Review  
Other Judicial Review (39)  
Review of Health Officer Order  
Notice of Appeal—Labor Commissioner Appeals

#### Provisionally Complex Civil Litigation (Cal. Rules of Court Rules 3.400–3.403)

Antitrust/Trade Regulation (03)  
Construction Defect (10)  
Claims Involving Mass Tort (40)  
Securities Litigation (28)  
Environmental/Toxic Tort (30)  
Insurance Coverage Claims (*arising from provisionally complex case type listed above*) (41)

#### Enforcement of Judgment

Enforcement of Judgment (20)  
Abstract of Judgment (Out of County)  
Confession of Judgment (*non-domestic relations*)  
Sister State Judgment  
Administrative Agency Award (*not unpaid taxes*)  
Petition/Certification of Entry of Judgment on Unpaid Taxes  
Other Enforcement of Judgment Case

#### Miscellaneous Civil Complaint

RICO (27)  
Other Complaint (*not specified above*) (42)  
Declaratory Relief Only  
Injunctive Relief Only (*non-harassment*)  
Mechanics Lien  
Other Commercial Complaint Case (*non-tort/non-complex*)  
Other Civil Complaint (*non-tort/non-complex*)

#### Miscellaneous Civil Petition

Partnership and Corporate Governance (21)  
Other Petition (*not specified above*) (43)  
Civil Harassment  
Workplace Violence  
Elder/Dependent Adult Abuse  
Election Contest  
Petition for Name Change  
Petition for Relief From Late Claim  
Other Civil Petition

SUPERIOR COURT OF CALIFORNIA, COUNTY OF RIVERSIDE  
4050 Main Street  
Riverside, CA 92501  
[www.riverside.courts.ca.gov](http://www.riverside.courts.ca.gov)

NOTICE OF CASE MANAGEMENT CONFERENCE

PROVIDENCE INDUSTRIES LLC VS LULAROE LLC

CASE NO. RIC1825263

The Case Management Conference is scheduled for 05/28/19 at 8:30 in Department 01.

No later than 15 calendar days before the date set for the case management conference or review, each party must file a case management statement and serve it on all other parties in the case. CRC, Rule 3.725.

The plaintiff/cross-complainant shall serve a copy of this notice on all defendants/cross-defendants who are named or added to the complaint and file proof of service.

Any disqualification pursuant to CCP Section 170.6 shall be filed in accordance with that section.

Requests for accommodations can be made by submitting Judicial Council form MC-410 no fewer than five court days before the hearing. See California Rules of Court, rule 1.100.

CERTIFICATE OF MAILING

I certify that I am currently employed by the Superior Court of California, County of Riverside, and that I am not a party to this action or proceeding. In my capacity, I am familiar with the practices and procedures used in connection with the mailing of correspondence. Such correspondence is deposited in the outgoing mail of the Superior Court. Outgoing mail is delivered to and mailed by the United States Postal Service, postage prepaid, the same day in the ordinary course of business. I certify that I served a copy of the foregoing NOTICE on this date, by depositing said copy as stated above.

Court Executive Officer/Clerk

Date: 11/29/18

by: \_\_\_\_\_

LOURDES VILLANUEVA, Deputy Clerk

SUPERIOR COURT OF CALIFORNIA, COUNTY OF RIVERSIDE  
4050 Main Street - 2nd Floor  
Riverside, CA 92501  
[www.riverside.courts.ca.gov](http://www.riverside.courts.ca.gov)

**NOTICE OF DEPARTMENT ASSIGNMENT**

PROVIDENCE INDUSTRIES LLC VS LULAROE L

CASE NO. RIC1825263

This case is assigned to the HONORABLE Judge Sharon J. Waters in Department 10 for Law and Motion purposes only.

The case is assigned to Honorable Judge John Vineyard in Department 1 for case management hearings (Case Management Conferences, Order to Show Causes, Status Conferences and Trial Setting Conferences) and trial assignment purposes.

Any disqualification pursuant to CCP section 170.6 shall be filed in accordance with that section.

The court follows California Rules of Court, Rule 3.1308(a)(1) for tentative rulings (see Riverside Superior Court Local Rule 3316). Tentative Rulings for each law and motion matter are posted on the Internet by 3:00 pm on the court day immediately before the hearing at <http://riverside.courts.ca.gov/tentativerulings.shtml>. If you do not have internet access, you may obtain the tentative ruling by telephone at (760) 904-5722.

To request oral argument, you must (1) notify the judicial secretary at (760) 904-5722 and (2) inform all other parties, no later than 4:30 pm the court day before the hearing. If no request for oral argument is made by 4:30 pm, the tentative ruling will become the final ruling on the matter effective the date of the hearing.

The filing party shall serve a copy of this notice on all parties.

Requests for accommodations can be made by submitting Judicial Council form MC-410 no fewer than five court days before the hearing. See California Rules of Court, rule 1.100.


**CERTIFICATE OF MAILING**

I certify that I am currently employed by the Superior Court of California, County of Riverside, and that I am not a party to this action or proceeding. In my capacity, I am familiar with the practices and procedures used in connection with the mailing of correspondence. Such correspondence is deposited in the outgoing mail of the Superior Court. Outgoing mail is delivered to and mailed by the United States Postal Service, postage prepaid, the same day in the ordinary course of business. I certify that I served a copy of the foregoing NOTICE on this date, by depositing said copy as stated above.

Court Executive Officer/Clerk

Date: 11/29/18

by:

  
\_\_\_\_\_

LOURDES VILLANUEVA, Deputy Clerk